

Report on  
Examination

**TOWNSHIP OF HOWARD**  
**CASS COUNTY**

**March 31, 2007**

**Local Audit and Finance Division  
Bureau of Local Government Services**

HOWARD TOWNSHIP--CASS COUNTY

TOWNSHIP BOARD

Michael Sutherland  
Supervisor

Shirley Tuttle  
Clerk

Shaune Timm  
Treasurer

George Johnson  
Trustee

Irving Frost  
Trustee

Mike Richmond  
Trustee

Shelby Farmer  
Trustee

TOWNSHIP POPULATION--2000  
6,309

TAXABLE VALUATION—2006  
\$151,389,585



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

September 26, 2007

Howard Township Board  
1345 Barron Lake Road  
Niles, Michigan 49120

RE: Unqualified Opinions on Basic Financial Statements Accompanied by Required  
Supplementary Information and Supplementary Information

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard Township, Cass County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise Howard Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Howard Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard Township, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2007 on our consideration of Howard Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 5 and the Budgetary Comparison for the General Fund (Major Fund) included in Exhibits I are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard Township's basic financial statements. The accompanying supplemental information and schedules, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The individual statements of revenues and expenditures for the General Fund and combining statements related to the fiduciary funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

The combining financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# HOWARD TOWNSHIP--CASS COUNTY

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## HOWARD TOWNSHIP--CASS COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### *Using this Annual Report*

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### *The Township as a Whole*

The Township's net assets increased \$88,298 from a year ago for the governmental activities due to decreasing expenses related to policing services and attorney fees related to pending litigation that has been settled. The township has also been able to increase its revenues as taxable value has increased and a change in banks has increased interest revenue. In contrast, the business-type activities decreased \$9,180, primarily as a result of paying the interest on the sewer bond. In a condensed format, the tables below show the activity:

	Governmental Activities 2006	Governmental Activities 2007	Favorable (Unfavorable) Difference	Percent
Current Assets	\$ 680,487	\$ 808,677	\$128,190	18.84%
Noncurrent Assets	760,148	706,884	(53,264)	-7.01%
Total Assets	1,440,635	1,515,561	74,926	5.20%
Current Liabilities	43,794	36,422	(7,372)	-16.83%
Long-Term Liabilities	12,000	6,000	(6,000)	-50.00%
Total Liabilities	55,794	42,422	(13,372)	-23.97%
Net Assets				
Invested in Capital Assets				
Net of Debt	737,059	695,339	(41,720)	-5.66%
Restricted	145,932	201,346	55,414	37.97%
Unrestricted (Deficit)	501,850	578,725	76,875	15.32%
Total Net Assets	\$ 1,384,841	\$1,473,139	\$ 88,298	6.38%

# HOWARD TOWNSHIP--CASS COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Business-Type Activities 2006	Business-Type Activities 2007	Favorable (Unfavorable) Difference	Percent
Current Assets	\$ 933,428	\$ 442,523	\$ (490,905)	-52.59%
Noncurrent Assets	<u>1,653,262</u>	<u>1,559,987</u>	<u>(93,275)</u>	<u>-5.64%</u>
Total Assets	<u>2,586,690</u>	<u>2,002,510</u>	<u>(584,180)</u>	<u>-22.58%</u>
Long-Term Liabilities	<u>900,000</u>	<u>325,000</u>	<u>(575,000)</u>	<u>-63.89%</u>
Total Liabilities	<u>900,000</u>	<u>325,000</u>	<u>1,225,000</u>	<u>136.11%</u>
Net Assets				
Invested in Capital Assets				
Net of Debt	411,000	951,500	540,500	131.51%
Unrestricted (Deficit)	<u>1,275,690</u>	<u>726,010</u>	<u>(549,680)</u>	<u>-43.09%</u>
Total Net Assets	<u>\$1,686,690</u>	<u>\$1,677,510</u>	<u>\$ (9,180)</u>	<u>-0.54%</u>

	Governmental Activities 2006	Governmental Activities 2007	Favorable (Unfavorable) Difference	Percent
Program Revenues				
Charges for Services	\$ 83,129	\$108,308	\$ 25,179	30.29%
Operating Grants and Contributions	37,748	39,595	1,847	4.89%
General Revenues				
Property Taxes	169,791	169,911	120	0.07%
State-Shared Revenues	436,811	431,059	(5,752)	-1.32%
Unrestricted Investment Earnings	20,108	31,525	11,417	56.78%
Other Revenue	<u>2,919</u>	<u>17,128</u>	<u>14,209</u>	<u>486.78%</u>
Total Revenues	<u>750,506</u>	<u>797,526</u>	<u>47,020</u>	<u>6.27%</u>
Program Expenses				
General Government	285,893	313,098	27,205	9.52%
Public Safety	276,382	261,938	(14,444)	-5.23%
Public Works	49,274	58,371	9,097	18.46%
Community and Economic Development	11,649	18,845	7,196	61.77%
Recreation and Culture	54,220	56,380	2,160	3.98%
Interest on Long-Term Debt	<u>902</u>	<u>596</u>	<u>(306)</u>	<u>-33.92%</u>
Total Expenses	<u>678,320</u>	<u>709,228</u>	<u>30,908</u>	<u>4.56%</u>
Change in Net Assets	<u>\$ 72,186</u>	<u>\$ 88,298</u>	<u>\$ 16,112</u>	<u>22.32%</u>

# HOWARD TOWNSHIP--CASS COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2007</u>	Favorable (Unfavorable) Difference	Percent
Program Revenues				
Charges for Services	\$ 80,560	\$ 101,597	\$ 21,037	20.71%
General Revenues				
Unrestricted Investment Earnings	<u>56,633</u>	<u>56,103</u>	<u>(530)</u>	<u>-0.94%</u>
Total Revenues	<u>137,193</u>	<u>157,700</u>	<u>20,507</u>	<u>13.00%</u>
Program Expenses				
Sewer	<u>161,283</u>	<u>166,880</u>	<u>5,597</u>	<u>3.35%</u>
Total Expenses	<u>161,283</u>	<u>166,880</u>	<u>5,597</u>	<u>3.35%</u>
Change in Net Assets	<u>\$ (24,090)</u>	<u>\$ (9,180)</u>	<u>\$ 14,910</u>	<u>-162.42%</u>

### Governmental Activities

The Township's total governmental revenues increased primarily due to the continuing increase in the Township's tax base and interest earned. Expenditures also decreased by \$147,848 due to the decrease in police services provided and the purchase of the fire truck last year.

	Governmental Funds <u>2006</u>	Governmental Funds <u>2007</u>	Favorable (Unfavorable) Difference	Percent
Revenues				
Taxes and Penalties	\$ 169,791	\$ 169,911	\$ 120	0.07%
Licenses and Permits	61,191	61,207	16	0.03%
Federal and State Grants	442,601	447,721	5,120	1.16%
Charges for Services	7,462	7,168	(294)	-3.94%
Fines and Forfeits	2,763	1,481	(1,282)	-46.40%
Interest and Rentals	31,949	42,696	10,747	33.64%
Other Revenue	<u>40,294</u>	<u>82,887</u>	<u>42,593</u>	<u>105.71%</u>
Total Revenues	<u>756,051</u>	<u>813,071</u>	<u>57,020</u>	<u>7.54%</u>
Program Expenses				
General Government	278,792	305,165	26,373	9.46%
Public Safety	237,910	223,755	(14,155)	-5.95%
Public Works	49,274	58,371	9,097	18.46%
Community and Economic Development	11,649	18,845	7,196	61.77%
Recreation and Culture	44,853	44,591	(262)	-0.58%
Capital Outlay	185,977	10,186	(175,791)	-94.52%
Debt Service	<u>6,902</u>	<u>6,596</u>	<u>(306)</u>	<u>-4.43%</u>
Total Expenses	<u>815,357</u>	<u>667,509</u>	<u>(147,848)</u>	<u>-18.13%</u>
Change in Fund Balance	<u>\$ (59,306)</u>	<u>\$ 145,562</u>	<u>\$ 204,868</u>	<u>-345.44%</u>



## HOWARD TOWNSHIP--CASS COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **Business-Type Activities**

The Township's business-type activities consist of the Sewer Fund. We provide sewer to approximately 35% of Township residents, which is provided in conjunction with the City of Niles. The loss, as stated above, is due to the annual bond interest payment made by the Township.

	Enterprise Funds 2006	Enterprise Funds 2007	Difference	Percent
Revenues				
Charges for Services	\$ 80,560	\$ 101,597	\$ 21,037	26%
Interest Earnings	28,666	25,477	(3,189)	-11%
Special Assessment Interest	27,967	30,626	2,659	10%
Total Revenues	137,193	157,700	20,507	15%
Program Expenses				
Operating Expenses	71,208	81,451	10,243	14%
Depreciation	34,500	34,500	-	0%
Interest on Debt	55,575	50,929	(4,646)	-8%
Total Expenses	161,283	166,880	5,597	3%
Change in Fund Balance	\$ (24,090)	\$ (9,180)	\$ 14,910	-62%

#### **The Township's Funds**

Our analysis of the Township's major funds is listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund and the Sewer Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities and public safety activities (fire department and police protection), which incurred expenses of approximately \$305,165 and \$223,755, respectively, in 2007. These services are supported by the operating millage and State shared revenues.

#### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant changes were for the increasing fire department expenditures for increasing costs, zoning administrator as the township now has a full time administrator, and road expenses for the road work done during the year.

## HOWARD TOWNSHIP--CASS COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **Capital Asset and Debt Administration**

At the end of 2007, the Township had \$1,977,839 invested in a broad range of capital assets, including buildings, equipment, vehicles, and the sewer system. To pay for the majority of these capital assets, especially the sewer system, the Township entered into various debt obligations totaling \$331,000.

#### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2007/2008 will be decreased in the General Fund due to decreasing the policing services to a minimal level. We will also be looking at a reduction in road work as the price of the projects continues to increase. The remaining revenues and expenses will stay primarily the same as the Township expects; revenues to remain constant and a decrease in expenses as no capital improvements are planned this year.

#### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office at 1345 Barron Lake Road, Niles, Michigan 49120.

**HOWARD TOWNSHIP--CASS COUNTY  
GOVERNMENT-WIDE STATEMENT  
OF NET ASSETS  
March 31, 2007**

**EXHIBIT A**

<b><u>ASSETS</u></b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current Assets			
Cash and Cash Equivalents	\$ 668,349	\$ 441,959	\$1,110,308
Delinquent Taxes Receivable	11,308		11,308
Delinquent Special Assessments Receivable	3,130	10,082	13,212
Internal Balances	17,185	(17,185)	-
Due From State	70,465		70,465
Due From Other Units of Government		7,667	7,667
Prepaid Expenses	38,240		38,240
Total Current Assets	808,677	442,523	1,251,200
Noncurrent Assets			
Special Assessment Receivable	5,545	283,487	289,032
Capital Assets--Net of Accumulated Depreciation	701,339	1,276,500	1,977,839
Total Noncurrent Assets	706,884	1,559,987	2,266,871
Total Assets	\$1,515,561	\$2,002,510	\$3,518,071
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current Liabilities			
Accounts Payable	\$ 28,582		\$ 28,582
Accrued Liabilities	7,840		7,840
Total Current Liabilities	36,422	\$ -	36,422
Long-Term Liabilities			
Notes Payable--Due Within One Year	6,000		6,000
Bonds Payable--Due Within One Year		100,000	100,000
Bonds Payable--Due in More Than One Year		225,000	225,000
Total Noncurrent Liabilities	6,000	325,000	331,000
Total Liabilities	42,422	325,000	367,422
Net Assets			
Investment in Capital Assets--Net of Related Debt	695,339	951,500	1,646,839
Restricted for			
Special Revenue Funds	201,346		201,346
Unrestricted	576,454	726,010	1,302,464
Total Net Assets	\$1,473,139	\$1,677,510	\$3,150,649

**The Notes to Financial Statements are an integral part of this statement.**

**HOWARD TOWNSHIP--CASS COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2007**

**EXHIBIT B**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
	Expenses	Charges for Services	Operating Grants and Contributions	Government Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$313,098	\$ 23,992	\$ 3,871	\$ (285,235)		\$ (285,235)
Public Safety	261,938	40,904	19,252	(201,782)		(201,782)
Public Works	58,371	33,852	16,472	(8,047)		(8,047)
Community and Economic Development	18,845	8,110		(10,735)		(10,735)
Recreation and Culture	56,380	1,450		(54,930)		(54,930)
Interest on Long-Term Debt	596			(596)		(596)
Total Governmental Activities	709,228	108,308	39,595	(561,325)	\$ -	(561,325)
Business-Type Activities						
Sewer	166,880	101,597			(65,283)	(65,283)
Total	\$876,108	\$209,905	\$ 39,595	\$ (561,325)	\$ (65,283)	\$ (626,608)
General Revenues						
Property Taxes				\$ 169,911		\$ 169,911
State-Shared Revenues				431,059		431,059
Unrestricted Investment Earnings				31,525	\$ 56,103	87,628
Other				17,128		17,128
Total General Revenues--Special Items and Transfers				649,623	56,103	705,726
Change in Net Assets				88,298	(9,180)	79,118
Net Assets--Beginning				1,311,926	1,686,690	2,998,616
Restatement to Net Assets				72,915		72,915
Restated Net Assets--Beginning				1,384,841	1,686,690	3,071,531
Net Assets--Ending				\$ 1,473,139	\$1,677,510	\$ 3,150,649

**The Notes to Financial Statements are an integral part of this statement.**

**HOWARD TOWNSHIP--CASS COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**March 31, 2007**

**EXHIBIT C**

	General	Non-Major	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash	\$ 479,447	\$ 173,851	\$ 653,298
Delinquent Taxes Receivable	11,308		11,308
Special Assessments Receivable		5,545	5,545
Delinquent Special Assessments Receivable		3,130	3,130
Due From State	70,465		70,465
Due From Other Funds	37,691	24,375	62,066
Prepaid Expenses	38,240		38,240
Total Assets	<u>\$ 637,151</u>	<u>\$ 206,901</u>	<u>\$ 844,052</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities			
Accounts Payable	\$ 28,482	\$ 100	\$ 28,582
Due to Other Funds	24,375	5,455	29,830
Accrued Liabilities	7,840		7,840
Deferred Revenue		5,545	5,545
Total Liabilities	<u>60,697</u>	<u>11,100</u>	<u>71,797</u>
Fund Equity			
Fund Balances			
Reserved for			
Nonmajor Special Revenue Funds		195,801	195,801
Unreserved--Undesignated	576,454		576,454
Total Fund Equity	<u>576,454</u>	<u>195,801</u>	<u>772,255</u>
Total Liabilities and Fund Equity	<u>\$ 637,151</u>	<u>\$ 206,901</u>	<u>\$ 844,052</u>
Fund Balances--Total Governmental Funds			\$ 772,255

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	701,339
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures.	11,090
Revenue that does not provide current financial resources are not reported as revenue in the funds.	(5,545)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(6,000)
Net Assets of Governmental Activities	<u>\$1,473,139</u>

**The Notes to Financial Statements are an integral part of this statement.**

**HOWARD TOWNSHIP--CASS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS**  
**For the Year Ended March 31, 2007**

**EXHIBIT D**

	General	Non-Major	Total Governmental Funds
Revenues			
Taxes and Penalties	\$ 169,911		\$ 169,911
Licenses and Permits	23,284	\$ 37,923	61,207
Federal Grants	10,000		10,000
State Grants	436,744	977	437,721
Charges for Services	7,168		7,168
Fines and Forfeits	1,481		1,481
Interest and Rentals	36,125	6,571	42,696
Other Revenue	33,445	49,442	82,887
Total Revenues	718,158	94,913	813,071
Expenditures			
Current			
General Government	305,165		305,165
Public Safety	177,740	46,015	223,755
Public Works	50,034	8,337	58,371
Community and Economic Development	18,845		18,845
Recreation and Cultural	44,591		44,591
Capital Outlay	10,186		10,186
Debt Service			
Principal		6,000	6,000
Interest		596	596
Total Expenditures	606,561	60,948	667,509
Excess of Revenues Over (Under) Expenditures	111,597	33,965	145,562
Other Financing Sources (Uses)			
Interfund Transfers In		26,993	26,993
Interfund Transfers (Out)	(26,993)		(26,993)
Total Other Financing Sources (Uses)	(26,993)	26,993	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	84,604	60,958	145,562
Fund Balance--April 1, 2006	491,850	134,843	626,693
Fund Balance--March 31, 2007	\$ 576,454	\$ 195,801	\$ 772,255

Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses \$ 145,562

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. (47,720)

Long-term revenues are recorded in the Statement of Activities when the revenue is earned; they are not reported in the funds if collected after 60 days of year end. (15,544)

Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt). 6,000

Change in Net Assets of Governmental Activities \$ 88,298

**The Notes to Financial Statements are an integral part of this statement.**

**HOWARD TOWNSHIP--CASS COUNTY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**March 31, 2007**

**EXHIBIT E**

	<b>ENTERPRISE FUND</b>
	<hr/>
<b><u>ASSETS</u></b>	<hr/>
Current Assets	
Cash and Cash Equivalents	\$ 441,959
Delinquent Special Assessments Receivable	10,082
Due From Other Units of Government	<u>7,667</u>
Total Current Assets	<u>459,708</u>
Noncurrent Assets	
Special Assessments	283,487
Capital Assets--Net of Accumulated Depreciation	<u>1,276,500</u>
Total Noncurrent Assets	<u>1,559,987</u>
Total Assets	<u><u>\$ 2,019,695</u></u>
<b><u>LIABILITIES</u></b>	
Current Liabilities	
Due to Other Funds	<u>\$ 17,185</u>
Total Current Liabilities	<u>17,185</u>
Noncurrent Liabilities	
Bonds Payable--Due Within One Year	100,000
Bonds Payable--Due in More Than One Year	<u>225,000</u>
Total Noncurrent Liabilities	<u>325,000</u>
Total Liabilities	<u>342,185</u>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets--Net of Related Debt	951,500
Unrestricted	<u>726,010</u>
Total Net Assets	<u><u>\$ 1,677,510</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**HOWARD TOWNSHIP--CASS COUNTY**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS--PROPRIETARY FUNDS**  
**For the Year Ended March 31, 2007**

**EXHIBIT F**

	<b>ENTERPRISE FUND</b>
	<u>Sewer</u>
Operating Revenues	
Charge for Services	<u>\$ 101,597</u>
Total Operating Revenues	<u>101,597</u>
Operating Expenses	
Operating expenses	81,451
Depreciation	<u>34,500</u>
Total Operating Expenses	<u>115,951</u>
Net Operating Income (Loss)	<u>(14,354)</u>
Nonoperating Revenues (Expenses)	
Interest From Special Assessments	25,477
Interest Income	30,626
Interest Expense	<u>(50,929)</u>
Total Nonoperating Revenues (Expenses)	<u>5,174</u>
Net Income (Loss)/Change in Net Assets	<u>(9,180)</u>
Net Assets--April 1, 2006	<u>1,686,690</u>
Net Assets--March 31, 2007	<u><u>\$ 1,677,510</u></u>

**The Notes to Financial Statements are an integral part of this statement.**



**HOWARD TOWNSHIP--CASS COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended March 31, 2007**

**EXHIBIT G**

	<b><u>ENTERPRISE FUNDS</u></b>
	<u>Sewer</u>
Cash Flows From Operating Activities	
Cash Received From Customers	\$ 99,270
Cash Payments to Employees for Services and Benefits	(17,185)
Cash Payments to Suppliers for Goods and Services	<u>(64,267)</u>
Net Cash Provided by Operating Activities	<u>17,818</u>
Cash Flows From Noncapital Financing Activities	
Due to Other Funds	<u>2,497</u>
Net Cash Provided by Capital and Related Financing Activities	<u>2,497</u>
Cash Flows From Capital and Related Financing Activities	
Special Assessments	81,621
Reduction of Long-Term Debt	(575,000)
Interest Paid on Capital Financing	<u>(50,929)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(544,308)</u>
Cash Flows From Investing Activities	
Interest on Cash Equivalents	30,626
Sale of Investments	<u>-</u>
Net Cash Provided by Investing Activities	<u>30,626</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(493,367)
Cash and Cash Equivalents--Beginning of Year	<u>935,326</u>
Cash and Cash Equivalents--End of Year	<u><u>\$ 441,959</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (14,354)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	34,500
Decrease (Increase) in Accounts Receivable	<u>(2,328)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 17,818</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**HOWARD TOWNSHIP--CASS COUNTY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
March 31, 2007**

**EXHIBIT H**

	<b><u>AGENCY FUNDS</u></b>
<b><u>ASSETS</u></b>	
Cash	<u>\$ 15,908</u>
Total Assets	<u><u>\$ 15,908</u></u>
<b><u>LIABILITIES</u></b>	
Liabilities	
Due to County	\$ 857
Due to Other Funds	<u>15,051</u>
Total Liabilities	<u><u>\$ 15,908</u></u>

**The Notes to the Financial Statements are an integral part of this statement.**

## HOWARD TOWNSHIP--CASS COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Howard Township is located in Cass County and provides services to its residents in many areas including fire protection, community enrichment and development, and human services. Howard Township is a general law township governed by a seven-member board elected by the citizens of Howard Township. The township board consists of the supervisor, clerk, treasurer and four trustees.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

The following entities are not included in the township's financial statements but do represent an ongoing financial interest or responsibility:

#### JOINT VENTURE

Southwestern Michigan Community Ambulance Service--Howard Township, in conjunction with five other local units of government (City of Buchanan, City of Niles, Township of Buchanan, Township of Niles, and Township of Bertrand) have entered into an agreement to create the Southwestern Michigan Community Ambulance Service. The joint ambulance board is composed of six members, of which each unit appoints one member. The joint ambulance administrative board prepares an annual operating budget, which is approved by a simple majority and submitted to the participating municipalities for appropriation. If there is a deficit and the budget stabilization fund is exhausted, each participating municipality will be requested to make an additional voluntary contribution to make up the deficit. Howard Township's financial responsibility is to special assessing, on an annual basis, \$10 for each parcel of property in the township. For the year ended March 31, 2007, the township's special assessment was \$28,450. A separate audit is conducted on the Southwestern Michigan Community Ambulance Service.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

## HOWARD TOWNSHIP--CASS COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the township.

## HOWARD TOWNSHIP--CASS COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The township reports the following major proprietary funds:

Sewer Fund accounts for the sewer operations of the township.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The township has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued subsequent to November 30, 1989, in accounting and reporting for its proprietary operation.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

## HOWARD TOWNSHIP--CASS COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the Water Fund relates to charges to customers for sales and services. The Water Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and material to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Bank Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

#### Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# HOWARD TOWNSHIP--CASS COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Governmental Funds</u>	<u>Water</u>
Land Improvements	15 to 30 years	
Building and Building Improvements	20 to 40 years	
Vehicles	3 to 10 years	
Equipment	3 to 10 years	
Sewer System		50 years

#### Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

#### Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## HOWARD TOWNSHIP--CASS COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### Budgets and Budgetary Accounting

Budgets are adopted by the township board for the General Fund. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The township board monitors and amends the budget as necessary. Unexpended appropriations lapse at year end. The budget has been adopted on an activity basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by Public Act 2 of 1968, as amended.

##### Excess of Expenditures over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires the legislative body to adopt a General Appropriations Act for the budget of the General Fund and each Special Revenue Fund. The Act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

The township's budget policy provides for the board to adopt and control the General Fund and Special Revenue Funds to the activity level. During the year ended March 31, 2007, expenditures were incurred in excess of amounts appropriated for in the following funds and activities.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
Transfers (Out)	\$ -	\$ 26,993	\$(26,993)
Weed Eradication			
Public Works		1,500	(1,500)

#### NOTE C--BANK DEPOSITS AND INVESTMENTS

Michigan Compiled Laws (MCL), Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



# HOWARD TOWNSHIP--CASS COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--BANK DEPOSITS AND INVESTMENTS (Continued)

The Howard Township Board has designated one bank for the deposit of township funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The township's deposits and investment policy are in accordance with statutory authority.

At year end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 653,298</u>	<u>\$ 441,959</u>	<u>\$15,908</u>	<u>\$1,111,165</u>
Total	<u><u>\$ 653,298</u></u>	<u><u>\$ 441,959</u></u>	<u><u>\$15,908</u></u>	<u><u>\$1,111,165</u></u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 1,110,665
Petty Cash and Cash on Hand	<u>500</u>
Total	<u><u>\$ 1,111,165</u></u>

### Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the township's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The bank balance of the primary government's deposits is \$1,140,138, of which \$100,000 is covered by Federal depository insurance. The remaining balance is uncollateralized.

## HOWARD TOWNSHIP--CASS COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE C--BANK DEPOSITS AND INVESTMENTS (Continued)

##### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The township's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At March 31, 2007, the fair value of the township's investments is listed above with all maturities due within 12 months or less.

#### NOTE D--PROPERTY TAXES/SPECIAL ASSESSMENTS

##### Property Taxes

The township property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property located in the township as of the preceding December 31<sup>st</sup>. It is the township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of township operations. Payment from the county for the 2006 delinquent taxes, which it purchased subsequent to March 31<sup>st</sup>, is recorded as delinquent taxes receivable in the General Fund.

The 2006 taxable value of Howard Township amounted to \$151,389,585, on which ad valorem taxes of .7774 mills were levied for township operating purposes. The 2006 current tax levy raised \$117,690 for township operating and is recorded as revenue on township records in the General Fund for the fiscal year ended March 31, 2007.

##### Taxes Receivable--Delinquent

The taxes receivable delinquent in the General Fund of \$11,308 consists of uncollected real property taxes levied December 1, 2006, which have not been collected at March 31, 2007.

##### Special Assessments

The special assessments receivable, as of March 31, 2007, consist of \$5,545 for the Tiara Trails Fund (special revenue) and \$283,486 for the Sewer Fund (proprietary fund). Each were created when the township and the residents in the applicable assessment districts agreed to the special assessments.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Tiara Trails Fund's special assessment receivable of \$5,545 is offset by deferred revenue.

HOWARD TOWNSHIP--CASS COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amounts of interfund receivables and payables between funds are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 37,691	Sewer	\$17,185
		Nonmajor Governmental	5,455
		Agency Funds	15,051
Nonmajor Governmental	<u>24,375</u>	General	<u>24,375</u>
Total Primary Government	<u>\$ 62,066</u>		<u>\$62,066</u>

The 2007 operating transfers from Exhibits D can be summarized as follows:

	<u>Transfers In</u>		<u>Transfers (Out)</u>
General	<u>\$26,933</u>	Nonmajor Funds	<u>\$26,933</u>
Total	<u>\$26,933</u>		<u>\$26,933</u>

HOWARD TOWNSHIP--CASS COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Capital asset activity of the township for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance 03/31/06</u>	<u>Restatement to Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 03/31/07</u>
Capital Assets Not Being Depreciated					
Land	\$ 90,850				\$ 90,850
Subtotal	90,850	\$ -	\$ -	\$ -	90,850
Capital Assets Being Depreciated					
Land Improvements	197,615	14,117			211,732
Buildings and Building Improvements	255,147	(1,252)			253,895
Equipment	507,257	(23,640)	10,186		493,803
Vehicles	673,094	(1,775)			671,319
Subtotal	1,633,113	(12,550)	10,186	-	1,630,749
Less Accumulated Depreciation for					
Land Improvements	95,797	(1,384)	6,301		100,714
Buildings and Building Improvements	112,250	(925)	4,332		115,657
Equipment	319,937	(72,987)	19,376		266,326
Vehicles	519,835	(10,169)	27,897		537,563
Subtotal	1,047,819	(85,465)	57,906	-	1,020,260
Net Capital Assets Being Depreciated	585,294	72,915	(47,720)	-	610,489
Governmental Activities Capital Total					
Capital Assets--Net of Depreciation	<u>\$ 676,144</u>	<u>\$ 72,915</u>	<u>\$ (47,720)</u>	<u>\$ -</u>	<u>\$ 701,339</u>

The restatement to beginning balance amounts is the result of the correction to the beginning asset balances which did not include some assets and had incorrect depreciation applied to other assets. See Note K for the effect on the township's net assets at March 31, 2006.

The depreciation expense for 2007 was \$57,906.

# HOWARD TOWNSHIP--CASS COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Sewer System	<u>\$ 1,725,000</u>	<u>          </u>	<u>          </u>	<u>\$ 1,725,000</u>
Subtotal	<u>1,725,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,725,000</u>
Less Accumulated Depreciation for				
Sewer System	<u>414,000</u>	<u>34,500</u>	<u>          </u>	<u>448,500</u>
Subtotal	<u>414,000</u>	<u>34,500</u>	<u>-</u>	<u>448,500</u>
Net Capital Assets Being Depreciated	<u>1,311,000</u>	<u>(34,500)</u>	<u>-</u>	<u>1,276,500</u>
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u><u>\$ 1,311,000</u></u>	<u><u>\$ (34,500)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,276,500</u></u>

The depreciation expense was \$34,500 during the year.

Depreciation expense was charged to programs of the primary government, as follows:

Governmental Activities	
General Government	\$ 7,934
Public Safety	38,183
Recreational and Cultural	<u>11,789</u>
Total Governmental Activities	<u><u>\$57,906</u></u>
Business-Type Activities	
Water	<u>\$34,500</u>
Total Business-Type Activities	<u><u>\$34,500</u></u>

# HOWARD TOWNSHIP--CASS COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT

The individual long-term debt and other general long-term obligations of Howard Township, and the changes therein, may be summarized as follows:

	<u>Balance 04/01/06</u>	<u>Additions (Reductions)</u>	<u>Balance 03/31/07</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>				
Howard Township promissory note for the Tiarra Trails Paving Project in the amount \$60,000, maturing serially through 2008 in annual installments of \$6,000 and at an interest rate of 5.0%.	<u>\$ 12,000</u>	<u>\$ (6,000)</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>
Total Governmental Activities	<u><u>\$ 12,000</u></u>	<u><u>\$ (6,000)</u></u>	<u><u>\$ 6,000</u></u>	<u><u>\$ 6,000</u></u>
<u>Business-Type Activities</u>				
Howard Township Sewer Fund Contractual Bonds, issued by Cass County through Munipal Bond Investors Assurance Corporation (MBIA), \$1,725,000 maturing serially through 2014 in amounts ranging from \$25,000 to \$100,000, and at an interest rate of 6.0%.	<u>\$ 900,000</u>	<u>\$(575,000)</u>	<u>\$ 325,000</u>	<u>\$ 100,000</u>
Total Business-Type Activities	<u><u>\$ 900,000</u></u>	<u><u>\$(575,000)</u></u>	<u><u>\$325,000</u></u>	<u><u>\$ 100,000</u></u>

The annual interest and principal requirements of Howard Township's long-term borrowing is summarized as follows:

Date of Issue: October 27, 1998

Amount: \$60,000

Purpose: Tiara Trails Paving Project

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Maturity March 15</u>	<u>Annual Interest Payments</u>	<u>Total Annual Requirements</u>
5.00%	2008	<u>\$ 6,000</u>	<u>\$ 300</u>	<u>\$ 6,300</u>
Total		<u><u>\$ 6,000</u></u>	<u><u>\$ 300</u></u>	<u><u>\$ 6,300</u></u>

# HOWARD TOWNSHIP--CASS COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT (Continued)

Date of Issue: July 6, 1994

Amount: \$1,725,000

Purpose: Sewer Bonds

<u>Annual Interest Rate</u>	<u>Date of Maturity</u>	<u>Maturity December 1</u>	<u>Interest Payments</u>	<u>Total Annual Requirements</u>
6.0%	2007	\$ 100,000	\$ 30,207	\$ 130,207
	2008	100,000	21,138	121,138
	2009	100,000	12,069	112,069
	2010	<u>25,000</u>	<u>3,000</u>	<u>28,000</u>
		<u>\$ 325,000</u>	<u>\$ 66,414</u>	<u>\$ 391,414</u>

### NOTE H--EMPLOYEE PENSION PLAN

#### Description of Plan and Plan Assets

As of April 1, 2002, Howard Township participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. MERS provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non duty-connected death and post-retirement adjustments to plan members and their beneficiaries. There is one group of employees classified as general. The service requirement for general employees is computed using credited service at the time of termination of membership multiplied by the sum of 1.5% times the final average compensation. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended (MCL 46.12a) State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

# HOWARD TOWNSHIP--CASS COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--EMPLOYEE PENSION PLAN (Continued)

#### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Howard Township Board, which requires members to contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. During 2005, the employee contributions totaled \$0. The township is required to contribute at an actuarially determined rate which was 8.33% of the annual payroll based on the 2004 actuarial valuation beginning on January 1, 2006.

#### Annual Pension Cost

During the calendar year ended December 31, 2006, the township's contributions were \$5,572 in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The township paid the required contribution. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members' retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

#### Three Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$4,252	100%	\$0
2005	4,882	100%	0
2006	5,572	100%	0

#### Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Overfunded (Unfunded) AAL (UAAL) (1)-(2)</u>	<u>Funded Ratio (1)/(2)</u>	<u>Covered Payroll</u>
2004	\$17,674	\$16,077	\$1,597	110%	\$42,729
2005	24,039	24,031	8	100%	57,686
2006	31,811	36,712	(4,901)	87%	67,252



# HOWARD TOWNSHIP--CASS COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE I--RISK MANAGEMENT

Howard Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers compensation). The township participates in the Michigan Townships' Participating Plan for the following various policies: general liability, property, vehicle and fire. The township has insurance with the Accident Fund Company for workmans' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

### NOTE J--SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The township maintains an enterprise fund that provides sewer services. Segment information for the year ended March 31, 2007 was as follows:

	<u>Sewer</u>
Operating Revenues	\$ 101,597
Operating Income (Loss)	(14,354)
Net Income (Loss)	(9,180)
Sewer System Less	
Accumulated Depreciation	1,276,500
Net Working Capital	459,708
Long-Term Debt	325,000
Total Assets	2,019,695
Total Equity	1,677,510

### NOTE K--CORRECTION OF AN ERROR--NET ASSETS

The total net assets were restated as the result of a beginning capital asset balance correction of the accumulated depreciation. See Note F for more details on the correction to the respective capital asset accounts.

	<u>Original</u> <u>03/31/06</u>	<u>Correction</u>	<u>Restated</u> <u>03/31/06</u>
Net Assets			
Investment in Capital Assets			
Net of Related Debt	\$ 664,144	\$ 72,915	\$ 737,059
Restricted	145,932		145,932
Unrestricted	501,850		501,850
Total Net Assets	<u>\$1,311,926</u>	<u>\$ 72,915</u>	<u>\$1,384,841</u>

**HOWARD TOWNSHIP--CASS COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended March 31, 2007**

**EXHIBIT I**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 189,000	\$ 189,700	\$ 169,911	\$ (19,789)
Licenses and Permits	21,800	25,900	23,284	(2,616)
Federal Grants	-	10,000	10,000	-
State Grants	447,097	439,097	436,744	(2,353)
Charges for Services	24,000	35,600	7,168	(28,432)
Fines and Forfeits	600	1,800	1,481	(319)
Interest and Rentals	12,000	14,400	36,125	21,725
Other Revenues	24,984	32,000	33,445	1,445
Total Revenue	719,481	748,497	718,158	(30,339)
Expenditures				
General Government	309,222	345,022	305,165	39,857
Public Safety	186,009	194,359	177,740	16,619
Public Works	44,623	50,823	50,034	789
Community and Economic Development	12,411	20,081	18,845	1,236
Recreation and Cultural	48,790	48,790	44,591	4,199
Capital Outlay	33,113	19,713	10,186	9,527
Total Expenditures	634,168	678,788	606,561	72,227
Excess of Revenues Over (Under) Expenditures	85,313	69,709	111,597	41,888
Other Financing Sources (Uses)				
Operating Transfers (Out)	-	-	(26,993)	(26,993)
Total Other Financing Sources (Uses)	-	-	(26,993)	(26,993)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	85,313	69,709	84,604	14,895
Fund Balance--April 1, 2006	350,000	350,000	491,850	141,850
Fund Balance--March 31, 2007	\$ 435,313	\$ 419,709	\$ 576,454	\$ 156,745

**The Notes to the Financial Statements are an integral part of this statement.**

**HOWARD TOWNSHIP--CASS COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
March 31, 2007**

**EXHIBIT J**

**SPECIAL REVENUE FUNDS**

	Tiara Trails	Liquor Law	Street Lights	Weed Eradication	Improvement Capital	Building Department Permit	Total
<b><u>ASSETS</u></b>							
Cash	\$ 2,323	\$ 152	\$ 672	\$ 10,000	\$ 123,011	\$ 37,693	\$ 173,851
Special Assessments Receivable	5,545						5,545
Delinquent Assessments Receivable	644		861	1,625			3,130
Due From Other Funds				24,375			24,375
Total Assets	\$ 8,512	\$ 152	\$ 1,533	\$ 36,000	\$ 123,011	\$ 37,693	\$ 206,901
<b><u>LIABILITIES AND FUND EQUITY</u></b>							
Liabilities							
Accounts Payable		\$ 75	\$ 25				\$ 100
Due to Other Funds						\$ 5,455	5,455
Deferred Revenue	\$ 5,545						5,545
Total Liabilities	5,545	75	25	\$ -	\$ -	5,455	11,100
Fund Balances							
Unreserved	2,967	77	1,508	36,000	123,011	32,238	195,801
Total Liabilities and Fund Balance	\$ 8,512	\$ 152	\$ 1,533	\$ 36,000	\$ 123,011	\$ 37,693	\$ 206,901

**HOWARD TOWNSHIP--CASS COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended March 31, 2007**

**EXHIBIT K**

	<b>SPECIAL REVENUE FUNDS</b>						
	Tiara Trails	Liquor Law	Street Lights	Weed Eradication	Improvement Capital	Building Department Permit	Total
Revenues							
Licenses and Permits						\$ 37,923	\$ 37,923
State Grants		\$ 977					977
Interest and Rents	\$ 787				\$ 3,826	1,958	6,571
Other Revenue	5,545		\$ 6,352	\$ 37,500	45		49,442
Total Revenues	6,332	977	6,352	37,500	3,871	39,881	94,913
Expenditures							
Public Safety		900				45,115	46,015
Public Works			6,837	1,500			8,337
Debt Service							
Principal	6,000						6,000
Interest	596						596
Total Expenditures	6,596	900	6,837	1,500	-	45,115	60,948
Excess of Revenues Over (Under) Expenditures	(264)	77	(485)	36,000	3,871	(5,234)	33,965
Other Financing Sources (Uses)							
Operating Transfers In			1,993				1,993
Operating Transfers (Out)					25,000		25,000
Total Other Financing Sources (Uses)	-	-	1,993	-	25,000	-	26,993
Excess of Revenues Over (Under) Expenditures	(264)	77	1,508	36,000	28,871	(5,234)	60,958
Fund Balance--April 1, 2006	3,231	-	-	-	94,140	37,472	134,843
Fund Balance--March 31, 2007	\$ 2,967	\$ 77	\$ 1,508	\$ 36,000	\$ 123,011	\$ 32,238	\$ 195,801

**HOWARD TOWNSHIP--CASS COUNTY**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**March 31, 2007**

**EXHIBIT L**

	<b><u>AGENCY FUNDS</u></b>		
	Trust and Agency	Tax Collection	Total
<b><u>ASSETS</u></b>			
Cash	\$ 1,029	\$14,879	\$15,908
Total Assets	<u>\$ 1,029</u>	<u>\$14,879</u>	<u>\$15,908</u>
<b><u>LIABILITIES</u></b>			
Liabilities			
Due to County	\$ 857		\$ 857
Due to Other Funds	172	\$14,879	15,051
Total Liabilities	<u>\$ 1,029</u>	<u>\$14,879</u>	<u>\$15,908</u>

**The Notes to the Financial Statements are an integral part of this statement.**

**HOWARD TOWNSHIP--CASS COUNTY**  
**STATEMENT OF REVENUES AND OTHER FINANCING USES**  
**BY ACTIVITY--BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended March 31, 2007**

**EXHIBIT M**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes				
Current Property Taxes	\$110,500	\$110,500	\$108,576	\$ (1,924)
Delinquent Real Property Taxes	9,000	9,000	11,016	2,016
Delinquent Personal Property Taxes	500	500	80	(420)
Trailer Park Taxes	1,000	1,000	600	(400)
Industrial Facility Tax	-	1,500	1,113	(387)
Penalties/Interest	7,000	7,000	2,473	(4,527)
Administration Fees	61,000	60,200	46,053	(14,147)
Total Taxes and Penalties	189,000	189,700	169,911	(19,789)
Licenses and Permits				
Junk Permits	100	100	-	(100)
Cable Franchise Fees	16,000	16,000	15,174	(826)
Dog Licenses	400	400	-	(400)
Land Variances	2,000	400	250	(150)
Conditional Use Permits	-	1,200	800	(400)
Hardship Permits	-	400	400	-
Land Division	1,800	5,400	5,200	(200)
Private Road Applications	500	500	-	(500)
Zoning Permits	1,000	1,500	1,460	(40)
Total Licenses and Permits	21,800	25,900	23,284	(2,616)
Federal Grant				
Land and Water Conservation Grant	-	10,000	10,000	-
Total Federal Grants	-	10,000	10,000	-
State Grants				
State Revenue Sharing	441,097	433,097	431,059	(2,038)
Metro Act	6,000	6,000	5,685	(315)
Total State Grants	447,097	439,097	436,744	(2,353)
Charges for Services				
Other Charges	20,000	30,000	2,625	(27,375)
Fire Runs	2,500	2,500	1,500	(1,000)
Elections	1,500	3,100	3,043	(57)
Total Charges for Services	24,000	35,600	7,168	(28,432)
Fines and Forfeits				
Ordinance Fines	100	100	90	(10)
Enforcement Fines	500	1,700	1,391	(309)
Total Fines and Forfeits	600	1,800	1,481	(319)
Interest and Rents				
Interest Earned	7,500	9,500	31,525	22,025
Hall Rental	2,500	3,300	3,150	(150)
Park Rental	2,000	1,600	1,450	(150)
Total Interest and Rents	12,000	14,400	36,125	21,725
Other Revenues				
Building, Electrical, Mechanical, Plumbing Reimbursements	3,750	16,750	16,317	(433)
Sewer Reimbursements	14,000	14,700	17,128	2,428
Donations	2,050	550	-	(550)
Refunds and Reimbursements	5,184	-	-	-
Total Other Revenues	24,984	32,000	33,445	1,445
Total Revenues	\$719,481	\$748,497	\$718,158	\$ (30,339)

**HOWARD TOWNSHIP--CASS COUNTY**  
**STATEMENT OF EXPENDITURES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended March 31, 2007**

**EXHIBIT N**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General Government				
Township Board	\$ 13,347	\$ 12,847	\$ 12,417	\$ 430
Supervisor	27,553	27,553	24,799	2,754
Audit	6,000	6,000	4,599	1,401
Assessor	28,200	29,200	28,881	319
Attorney	25,000	28,500	17,105	11,395
Clerk	64,225	66,925	60,505	6,420
Board of Review	1,493	1,043	975	68
Treasurer	71,060	75,010	69,620	5,390
Elections	4,723	17,273	17,135	138
Building and Grounds	67,621	80,671	69,129	11,542
Total General Government	309,222	345,022	305,165	39,857
Public Safety				
Police Services	97,083	90,083	88,970	1,113
Fire Department	87,926	101,826	86,848	14,978
Ordinance Enforcement	1,000	2,450	1,922	528
Total Public Safety	186,009	194,359	177,740	16,619
Public Works				
Roads	42,098	48,298	48,294	4
Garbage Collection	2,525	2,525	1,740	785
Total Public Works	44,623	50,823	50,034	789
Community and Economic Development				
Zoning Administrator	8,748	15,768	15,012	756
Zoning Board of Appeals	3,663	4,313	3,833	480
Total Community and Economic Development	12,411	20,081	18,845	1,236
Recreational and Cultural				
Parks	48,790	48,790	44,591	4,199
Total Recreational and Cultural	48,790	48,790	44,591	4,199
Capital Outlay	33,113	19,713	10,186	9,527
Total Expenditures	634,168	678,788	606,561	72,227
Other Financing Sources (Uses)				
Operating Transfers (Out)	-	-	26,993	(26,993)
Total Other Financing Sources (Uses)	-	-	26,993	(26,993)
Total Expenditures and Other Financing Sources	\$634,168	\$678,788	\$ 633,554	\$45,234



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

September 26, 2007

Howard Township Board  
1345 Barron Lake Road  
Niles, Michigan 49120

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard Township, Cass County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise Howard Township's basic financial statements and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howard Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Howard Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Howard Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the township's ability to initiate, authorize, record,



process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the township's financial statements that is more than inconsequential will not be prevented or detected by the township's internal control. We consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting and are documented as items 2005-5 and 2005-6.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howard Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings as item 2005-8.

This report is intended solely for the information of Howard Township Board and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

## HOWARD TOWNSHIP--CASS COUNTY

### SCHEDULE OF FINDINGS

#### SIGNIFICANT DEFICIENCIES

##### Treasurer--Accruals

*Finding 2005-6*

*Condition:* As noted in the prior audit, we found that accounts receivable accruals were not recorded for the enterprise fund or any of the governmental funds.

*Criteria:* Governmental funds are to be maintained on a modified accrual basis. Generally accepted accounting principles also require that accounts receivable be established to properly match the fiscal year's revenues and expenses. Enterprise funds are to be maintained on a full accrual basis of accounting.

*Modified Accrual Basis of Accounting:* Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Measurable refers to the ability to quantify in monetary terms of the amount of the revenue. Current expenditures are generally recorded when the fund liability is incurred, if measurable.

*Recommendation:* We recommend that the township record accruals. The accrual balances should be reconciled to subsidiary records to support the balances in the respective accounts.

##### Payroll Withholding Liability Accounts

*Finding 2005-6*

*Condition:* As noted during the prior audit, we found that the township is not monitoring the liability accounts used to record the amounts due to the State and Federal government for payroll withholdings.

*Criteria:* When the payroll is processed the employee's portion of the State and Federal withholding is recorded in the liability accounts, "Due to State and Due to Federal." At the time of payment to the State or Internal Revenue Service, the employee's portion of the taxes due should be removed from the liability line-item zeroing the balance of the accounts.

*Recommendation:* Again, we strongly recommend the township begin monitoring the payroll withholding liability line-items to verify the accuracy of the postings and that the accounts are reaching a zero balance after payments are made.

# HOWARD TOWNSHIP--CASS COUNTY

## SCHEDULE OF FINDINGS

### NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instance of noncompliance with State statutes.

#### Township Board--Expenditures in Excess of Appropriations

*Finding 2005-8*

*Condition:* Our examination of procedures used by the township to adopt and maintain operating budgets for the township's budgetary funds revealed the following instances of noncompliance with provisions of Public Act 2 of 1968, as amended, the Uniform Budget and Accounting Act.

The township's 2006/2007 General Appropriations Act (budget) provided for expenditures of the General Fund and the Special Revenue Funds to be controlled at the activity level by the township. During the fiscal year ended March 31, 2007, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and the Special Revenue Funds, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
Transfers (Out)	\$ -	\$ 26,993	\$(26,993)
Weed Eradication			
Public Works		1,500	(1,500)

*Criteria:* The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968, as amended.

*Directive:* Again, we direct that the township develop budgetary control procedures for the General Fund and the Special Revenue Funds which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.